Systex Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Systex Corporation

We have audited the accompanying consolidated balance sheets of Systex Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements as of and for the year ended December 31, 2014 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., we did not audit the financial statements as of and for the year ended December 31, 2013 of Systex Software & Service Corporation, SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., the entities are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2014 and 2013 amounted to NT$444,047 thousand and NT$1,219,477 thousand, respectively, or about 2.39% and 6.65% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2014 and 2013 were about NT$770,642 thousand and NT$2,489,377 thousand, respectively, or about 4.87% and 15.90% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2014 of AFE Solutions Limited, Bisnews International Limited, Sanfran Technologies Inc. and Forms Syntron Information (Shenzhen) Limited, and the financial statements as of and for the year ended December 31, 2013 of AFE Solutions Limited, Bisnews International Limited and Forms Syntron Information (Shenzhen) Limited, the investments in which were accounted for by the equity method, as shown in the accompanying consolidated financial statements. The aggregate carrying values of these equity-method investments as of December 31, 2014 and 2013 were NT$1,017,878 thousand and NT$1,009,355 thousand, respectively, or about 5.48% and 5.50% of the respective consolidated assets. The amounts of the equity in their total comprehensive income were NT$113,865 thousand and NT$153,055 thousand, or about 11.95% and 14.50% of the total consolidated comprehensive income of 2014 and 2013, respectively. The subsidiaries and investees' financial statements were audited by other auditors whose reports have been furnished to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Systex Corporation as of and for the years ended December 31, 2014 and 2013 on which we have issued a modified unqualified report.

March 19, 2015

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,309,983	12	$ 1,934,107	11
Financial assets at fair value through profit or loss (Notes 4 and 7)	4,807,075	26	4,738,080	26
Available-for-sale financial assets (Notes 4 and 8)	133,346	1	203,383	1
Notes receivable, net (Notes 4 and 9)	74,999	-	77,851	-
Accounts receivable, net (Notes 4, 5, 9 and 22)	3,087,400	17	3,235,556	18
Other receivables (Notes 18 and 23)	281,894	1	233,381	1
Inventories (Notes 4, 5 and 10)	1,960,137	11	1,797,524	10
Prepayments	712,886	4	609,355	3
Refundable deposits - current (Note 24)	153,246	1	186,013	1
Other current assets	75,657	-	72,028	-
Total current assets	13,596,623	73	13,087,278	71
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 11)	516,336	3	552,902	3
Investments accounted for by using the equity method (Notes 4 and 12)	1,226,036	7	1,268,976	7
Property, plant and equipment (Notes 4, 5, 13 and 23)	2,278,120	12	2,449,264	13
Computer software (Notes 4, 5 and 22)	70,298	-	70,534	-
Goodwill (Notes 4 and 5)	401,644	2	395,329	2
Technological expertise (Notes 4 and 5)	36,809	-	40,992	-
Other intangible assets (Notes 4 and 5)	36,624	-	51,901	-
Deferred tax assets (Notes 4, 5 and 18)	47,179	-	74,637	1
Refundable deposits - non-current (Note 24)	126,002	1	97,487	1
Long-term receivables (Note 9)	110,365	1	161,028	1
Other non-current assets (Note 23)	112,719	1	87,476	1
Total non-current assets	4,962,132	27	5,250,526	29
TOTAL	$ 18,558,755	100	$ 18,337,804	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 14 and 23)	$ 240,000	1	$ 474,648	3
Notes and accounts payable (Note 22)	2,926,617	16	2,672,816	14
Other payables (Note 14)	751,188	4	807,897	4
Current tax liabilities (Notes 4 and 18)	113,680	-	61,119	-
Receipts in advance	681,208	4	855,438	5
Current portion of long-term bank loans (Notes 14 and 23)	-	-	6,692	-
Other current liabilities	113,947	1	107,169	1
Total current liabilities	4,826,640	26	4,985,779	27
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 14 and 23)	-	-	31,787	1
Deferred tax liabilities (Note 18)	17,433	-	17,361	-
Accrued pension liabilities (Notes 4, 5 and 15)	196,632	1	190,858	1
Other non-current liabilities	8,780	-	8,271	-
Total non-current liabilities	222,845	1	248,277	2
Total liabilities	5,049,485	27	5,234,056	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 16)				
Share capital				
Common share	2,669,163	14	2,622,283	14
Advance receipts for common share	1,950	-	8,410	-
Total share capital	2,671,113	14	2,630,693	14
Capital surplus	8,685,259	47	8,486,264	46
Retained earnings				
Legal reserve	655,188	3	572,134	3
Special reserve	114,116	1	733,539	4
Unappropriated earnings	2,161,431	12	1,685,252	9
Total retained earnings	2,930,735	16	2,990,925	16
Other equity	97,837	-	(114,116)	-
Treasury shares	(953,252)	(5)	(1,053,466)	(6)
Total equity attributable to owners of the Corporation	13,431,692	72	12,940,300	70
NON-CONTROLLING INTERESTS	77,578	1	163,448	1
Total equity	13,509,270	73	13,103,748	71
TOTAL	$ 18,558,755	100	$ 18,337,804	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2015)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 4 and 22)				
Sales	$ 11,645,589	73	$ 11,463,254	73
Less: Sales returns and allowances	23,258	-	25,061	-
Net sales	11,622,331	73	11,438,193	73
Service revenue	4,057,625	26	4,139,240	26
Others	129,365	1	79,829	1
Total operating revenues	15,809,321	100	15,657,262	100
OPERATING COSTS (Notes 4, 10, 17 and 22)				
Cost of goods sold	9,864,907	62	9,770,370	63
Service cost	1,684,393	11	1,591,858	10
Others	40,930	-	24,478	-
Total operating costs	11,590,230	73	11,386,706	73
GROSS PROFIT	4,219,091	27	4,270,556	27
REALIZED GAIN ON TRANSACTIONS FROM ASSOCIATES (Note 4)	-	-	3,843	-
REALIZED GROSS PROFIT	4,219,091	27	4,274,399	27
OPERATING EXPENSES (Notes 9, 15, 16, 17 and 22)				
Selling expenses	2,934,871	19	2,921,557	19
General and administrative expenses	451,433	3	453,764	3
Research and development expenses	397,214	2	410,060	2
Total operating expenses	3,783,518	24	3,785,381	24
PROFIT FROM OPERATIONS	435,573	3	489,018	3
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Note 4)	119,540	1	79,272	1
Interest income (Note 4)	22,971	-	20,214	-
Dividend income (Note 4)	36,277	-	43,561	-
Other income, net	66,906	-	42,191	-
Gain on sale of investments, net (Notes 8, 11 and 12)	65,773	-	30,785	-
Foreign exchange (loss) gain, net (Note 4)	(3,419)	-	3,500	-
Gain on financial assets at fair value through profit or loss, net (Note 4)	45,768	-	279,780	2
Interest expense	(11,175)	-	(18,164)	-

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
Other expenses	$ (21,692)	-	$ (17,859)	-
Gain (loss) on disposal of property, plant and equipment, net (Note 4)	229,638	2	(3,128)	-
Impairment loss on financial assets (Notes 4 and 11)	(60,607)	-	(9,440)	-
Total non-operating income and expenses	489,980	3	450,712	3
INCOME BEFORE INCOME TAX	925,553	6	939,730	6
INCOME TAX EXPENSE (Notes 4 and 18)	178,482	1	116,030	1
NET INCOME	747,071	5	823,700	5
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 16)				
Exchange differences on translating foreign operations	280,657	2	149,065	1
Unrealized (loss) gain on available-for-sale financial assets	(65,756)	(1)	54,788	1
Actuarial (loss) gain arising from defined benefit plans	(6,441)	-	638	-
Share of other comprehensive (loss) income of associates	(2,895)	-	27,815	-
Income tax relating to components of other comprehensive income	(181)	-	(358)	-
Other comprehensive income for the year, net of income tax	205,384	1	231,948	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 952,455	6	$ 1,055,648	7
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 744,717	5	$ 830,540	5
Non-controlling interests	2,354	-	(6,840)	-
	$ 747,071	5	$ 823,700	5
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 950,606	6	$ 1,063,171	7
Non-controlling interests	1,849	-	(7,523)	-
	$ 952,455	6	$ 1,055,648	7

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 19)				
Basic	$3.07		$3.51	
Diluted	$3.05		$3.49	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2015) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Notes 4 and 16)													
	Share Capital				Retained Earnings				Other Equity					
	Common Share	Advance Receipts for Common Share	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments	Treasury Shares	Total	Non-controlling Interests (Note 16)	Total Equity
BALANCE, JANUARY 1, 2013	$ 2,598,245	$ 1,100	$ 2,599,345	$ 8,880,385	$ 542,289	$ 611,439	$ 995,087	$ 2,148,815	$ (351,856)	$ 22,943	$ (1,053,466)	$ 12,246,166	$ 282,316	$ 12,528,482
Appropriation of earnings														
Legal reserve	-	-	-	-	29,845	-	(29,845)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	122,100	(122,100)	-	-	-	-	-	-	-
Distribution in cash of the capital surplus - NT$2 per share	-	-	-	(521,440)	-	-	-	-	-	-	-	(521,440)	-	(521,440)
Issuance of common stock for exercised employee stock options	24,038	7,310	31,348	68,418	-	-	-	-	-	-	-	99,766	-	99,766
Compensation recognized for employee stock options	-	-	-	9,880	-	-	-	-	-	-	-	9,880	-	9,880
Net income (loss) for 2013	-	-	-	-	-	-	830,540	830,540		-	-	830,540	(6,840)	823,700
Other comprehensive income (loss) for 2013	-	-	-	-	-	-	17,834	17,834	160,423	54,374	-	232,631	(683)	231,948
Total comprehensive income (loss) for 2013	-	-	-	-	-	-	848,374	848,374	160,423	54,374	-	1,063,171	(7,523)	1,055,648
Distribution in cash of the capital surplus received by subsidiaries from the Corporation	-	-	-	49,021	-	-	-	-	-	-	-	49,021	-	49,021
Differences between purchase price and carrying amount of shares in the acquisition of subsidiaries	-	-	-	-	-	-	(6,264)	(6,264)	-	-	-	(6,264)	(936)	(7,200)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(110,409)	(110,409)
BALANCE, DECEMBER 31, 2013	2,622,283	8,410	2,630,693	8,486,264	572,134	733,539	1,685,252	2,990,925	(191,433)	77,317	(1,053,466)	12,940,300	163,448	13,103,748
Appropriation of earnings														
Legal reserve	-	-	-	-	83,054	-	(83,054)	-	-	-	-	-	-	-
Cash dividends - NT$3 per share	-	-	-	-	-	-	(798,070)	(798,070)	-	-	-	(798,070)	-	(798,070)
Reversal of special reserve	-	-	-	-	-	(619,423)	619,423	-	-	-	-	-	-	-
Issuance of common stock for exercised employee stock options	46,880	(6,460)	40,420	94,791	-	-	-	-	-	-	-	135,211	-	135,211
Net income for 2014	-	-	-	-	-	-	744,717	744,717	-	-	-	744,717	2,354	747,071
Other comprehensive income (loss) for 2014	-	-	-	-	-	-	(6,064)	(6,064)	277,709	(65,756)	-	205,889	(505)	205,384
Total comprehensive income (loss) for 2014	-	-	-	-	-	-	738,653	738,653	277,709	(65,756)	-	950,606	1,849	952,455
Disposal of the Corporation's shares by subsidiaries regarding as treasury share transaction	-	-	-	36,779	-	-	-	-	-	-	100,214	136,993	143,035	280,028
Cash dividends received by subsidiaries from the Corporation	-	-	-	67,425	-	-	-	-	-	-	-	67,425	-	67,425
Changes ownership interest in subsidiaries	-	-	-	-	-	-	(773)	(773)	-	-	-	(773)	-	(773)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(230,754)	(230,754)
BALANCE, DECEMBER 31, 2014	$ 2,669,163	$ 1,950	$ 2,671,113	$ 8,685,259	$ 655,188	$ 114,116	$ 2,161,431	$ 2,930,735	$ 86,276	$ 11,561	$ (953,252)	$ 13,431,692	$ 77,578	$ 13,509,270

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2015)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 925,553	$ 939,730
Adjustments for		
Depreciation expenses	144,885	147,812
Amortization expenses	53,118	69,456
Provision for allowance for doubtful accounts	6,760	3,856
Gain on financial assets at fair value through profit or loss, net	(45,768)	(279,780)
Interest expense	11,175	18,164
Interest income	(22,971)	(20,214)
Dividend income	(36,277)	(43,561)
Compensation cost of employee share options	-	9,880
Share of profit of associates	(119,540)	(79,272)
(Gain) loss on disposal of property, plant and equipment, net	(229,638)	3,128
Gain on sale of investment, net	(47,840)	(9,765)
Impairment loss on financial assets measured at cost	60,607	9,440
(Reversal of) write-down of inventories	31,591	(18,971)
Realized gain on the transactions with associates	-	(3,843)
Unrealized gain on foreign currency exchange, net	(3,127)	(744)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	69,410	(569,966)
Decrease in notes receivable	2,852	29,808
Decrease (increase) in accounts receivable	258,338	(409,418)
(Increase) decrease in other receivables	(34,124)	15,772
(Increase) decrease in inventories	(189,967)	213,508
Increase in prepayments	(99,193)	(108,412)
Increase in other current assets	(4,059)	(3,773)
Increase in notes and accounts payable	160,542	46,466
(Decrease) increase in other payables	(63,479)	127,462
(Decrease) increase in receipts in advance	(180,344)	118,605
Increase (decrease) in other current liabilities	5,670	(1,212)
(Decrease) increase in accrued pension liabilities	(667)	3,153
Cash generated from operations	653,507	207,309
Interest paid	(11,354)	(17,740)
Income tax paid	(98,679)	(59,366)
Net cash generated from operating activities	543,474	130,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	51,578	11,020
Acquisition of financial assets measured at cost	(45,000)	-
Proceeds on sale of financial assets measured at cost	17,516	3,861
Return of capital from capital reduction and liquidation of investees measured at cost	3,239	10,010
Proceeds from sale of investments accounted for using equity method	17,092	1,486
Return of capital from liquidation of equity - accounted investees	-	1,730
Payments for property, plant and equipment	(83,598)	(79,651)
Proceeds from disposal of property, plant and equipment	360,731	1,539

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	2013
Decrease in refundable deposits	$ 5,346	$ 19,352
Payments for intangible assets	(30,471)	(27,435)
Decrease (increase) in long-term receivables	50,663	(161,028)
(Increase) decrease in pledged time deposits	(47,308)	84,877
(Increase) decrease in time deposits with original maturities more than three months	(17,176)	6,157
Decrease in other non-current assets	9,889	3,212
Interest received	22,973	19,029
Dividends received	36,277	43,561
Dividends received from associates	199,090	104,428
Distribution in cash of the capital surplus received from investees measured at cost	10,066	-
Net cash generated from investing activities	560,907	42,148
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(238,589)	199,358
Decrease in short-term bills payable	-	(30,190)
Decrease in long-term bank loans	(38,479)	(6,692)
Increase (decrease) in guarantee deposits received	425	(737)
Dividends paid to owners of the Corporation	(798,070)	-
Proceeds from exercise of employee stock options	135,211	99,766
Proceeds on sale of the Corporation's shares by subsidiaries	280,028	-
Acquisition of subsidiaries' stock	-	(7,200)
Decrease in non-controlling interests	(230,754)	(30,782)
Changes in ownership interest in subsidiaries	(773)	-
Cash dividends received by subsidiaries from the Corporation	67,425	-
Distribution in cash of the capital surplus	-	(521,440)
Distribution in cash of the capital surplus received by subsidiaries from the Corporation	-	49,021
Net cash used in financing activities	(823,576)	(248,896)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	95,071	39,119
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	375,876	(37,426)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,934,107	1,971,533
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,309,983	$ 1,934,107

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2015) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Systex Corporation (the "Corporation") was incorporated on January 7, 1997. The Corporation provides advanced software and information-based solutions, sells and leases computer hardware and software, and renders related services.

The shares of the Corporation had been traded on the Taiwan GreTai Securities Market since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 19, 2015.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Corporation and its subsidiaries (the "Group") should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies:

1) IFRS 10 "Consolidated Financial Statements"

   IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 "Disclosure of Interests in Other Entities"

   IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

4) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

5) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of remeasurements of the defined benefit plans of associates/joint ventures accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates/joint ventures accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

6) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerates the recognition of past service costs.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities and retained earnings as of January 1, 2014. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The anticipated impact of the initial application of the revised IAS 19 is detailed as follows:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2014			
Accrued pension liabilities	$ 196,632	$ (14,496)	$ 182,136
Unappropriated earnings	$ 2,161,431	$ 13,850	$ 2,175,281
Non-controlling interests	$ 77,578	$ 646	$ 78,224
January 1, 2014			
Accrued pension liabilities	$ 190,858	$ (15,338)	$ 175,520
Unappropriated earnings	$ 1,685,252	$ 14,681	$ 1,699,933
Non-controlling interests	$ 163,448	$ 657	$ 164,105
Impact on total comprehensive income for the year ended December 31, 2014			
Operating expense	$ 3,783,518	$ (975)	$ 3,782,543
Remeasurements of defined benefit plan	$ (6,441)	$ (1,817)	$ (8,258)
Net income attributable to:			
Owners of the Corporation	$ 744,717	$ 992	$ 745,709
Non-controlling interests	2,354	(17)	2,337
	$ 747,071	$ 975	$ 748,046
Total comprehensive income attributable to:			
Owners of the Corporation	$ 950,606	$ (831)	$ 949,775
Non-controlling interests	1,849	(11)	1,838
	$ 952,455	$ (842)	$ 951,613

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

   Recognition and measurement of financial assets

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” states using a revenue-based depreciation for property, plant and equipment is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" revenue is not a appropriate basis for amortization of intangible assets. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

8) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) "held for sale" and non-current assets "held for distribution to owners" does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for "held for distribution to owners" and do not meet the criteria for "held for sale" should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

9) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

<u>Attribution of total comprehensive income to non-controlling interests</u>

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

The acquisition of equity interest in subsidiaries from other subsidiaries is considered as restructuring of entities under common control. Thus, the subsidiaries' shares held by the Corporation are recorded at the carrying amount (reduced for asset impairment, if any). The difference between the carrying amount and consolidation transferred is recognized in stockholders' equity.

2) Subsidiaries included in the consolidated financial statements (the relationship of companies as of December 31, 2014 is presented in the accompanying Table 1)

Investor	Investee	Main Business	% of Ownership December 31 2014	2013	Remark
The Corporation	Concord System Management Corporation (CSMC)	Design of computer system and application software, data-processing services, sale and lease of computer hardware and software	100.0	100.0	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities	100.0	100.0	
The Corporation	Hanmore Investment Corporation (Hanmore)	Investment activities	48.9	48.9	
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services	100.0	100.0	
The Corporation	Golden Bridge Corporation (GBC)	Investment activities	100.0	100.0	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Computer system integration services, sale of computer hardware and software	100.0	100.0	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	Investment activities	100.0	100.0	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities	100.0	100.0	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Computer system integration services, sale of computer hardware and software	84.1	84.1	
The Corporation	Nexsys Corporation (Nexsys)	Sale and development of computer software, data-processing services	100.0	100.0	
The Corporation	Chain Khan Technology Corporation (CKT)	Sale and development of computer software, and related consultation services	-	-	a)
The Corporation	Systex Solutions Corporation II (Syxtex Solutions II)	Computer system integration services, sale of computer hardware and software	100.0	-	b)
GBC	SoftMobile Technology Corporation (Soft Mobile)	Sale and development of computer software, data-processing services	100.0	100.0	
Taifon and Systex Solutions II	Systex Solutions Corporation I (Systex Solutions I)	Computer system integration services, sale of computer hardware and software	-	100.0	c)
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Computer system integration services, sale of computer hardware and software	69.6	69.6	
TEDP	Medincom Technology Corporation (Medincom)	Computer system integration services, sale of computer hardware and software	100.0	100.0	
TEDP	TEDPC Information (HK) Limited (TEDP HK)	Investment activities	100.0	100.0	
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration services, sale of computer hardware and software	100.0	100.0	
Kimo BVI	Sysware (Thailand) Co., Ltd. (Sysware Thailand)	Computer system integration services, sale of computer hardware and software	100.0	100.0	
Kimo BVI	PT. Sysware Indonesia (Sysware Indonesia)	Computer system integration services, sale of computer hardware and software	99.7	99.7	
Kimo BVI	Systex Information (H.K.) Limited (Systex Info)	Sale and development of computer hardware and software, data-processing services	100.0	100.0	
Kimo BVI	ICT-Systex Information Systems Co., Ltd. (ICT Systex)	Sale and development of computer hardware and software, data-processing services	-	-	d)
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Sale and development of computer hardware and software, data-processing services	100.0	100.0	
Kimo BVI	UCOM Information Ltd. (Shanghai) (UCOM Shanghai)	Sale and development of computer software, data-processing services	100.0	100.0	

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2014	2013	Remark
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Computer system integration services, sale of computer hardware and software	100.0	100.0	
Kimo BVI	Rainbow Tech Information (HK) Limited (RTIHK)	Computer system integration services, sale of computer hardware and software	100.0	100.0	
Kimo BVI	Systex Solutions (HK) Limited	Investment activities	100.0	100.0	
Kimo BVI	Cloudena (Cayman) Inc. (Cloudena Cayman)	Investment activities	-	-	e)
Syspower	Smartnet Technology Co., Ltd. (Smartnet)	Electronic commerce	-	100.0	f)
ICT-Systex	Beijing Yisheng Financial and Economic Information Consulting Co., Ltd. (Yisheng)	Sale and development of computer hardware and software, data-processing services	-	-	d)
Sysware Shenglong	Optima Financial Software Company (Optima)	Sale and development of computer hardware and software, data-processing services	100.0	100.0	
Systex Info	Systex Group (China) Ltd. (Sytex Group)	Enterprise management and consultancy services, marketing, financial management services	100.0	100.0	
Systek and UCOM Shanghai	Rainbow Tech (Guangzhou) Inc. (RTGI)	Computer system integration services, sale of computer hardware and software	100.0	100.0	

(Concluded)

a) CKT was merged into CSMC in October 2013.

b) Systex Solutions II was incorporated in April 2014.

c) Taifon transferred 100% equity interest of Systex Solution I to Systex Solutions II (which is named after Systex Solution I) in May 2014. Systex Solution I was merged into Systex Solutions II in July 2014.

d) The Group expects to dispose equity interest in ICT-Systex (and Yisheng). As a result, the investees had been classified as non-current assets held for sale (included in other current assets) in October 2013. The investees had been reclassified from non-current assets held for sale after the disposal plan was terminated in June 2014.

e) Cloudena Cayman completed liquidation process in December 2013.

f) Smartnet was merged into Syspower in June 2014.

All accounts of subsidiaries were included in consolidated financial statements for the years ended December 31, 2014 and 2013.

Among the abovementioned entities, the financial statements as of and for the year ended December 31, 2014 of TEDP HK, Smartnet, Sysware Singapore, Sysware Thailand, and Sysware Indonesia, and the financial statements as of and for the year ended December 31, 2013 of Sysware Singapore, Sysware Thailand and Sysware Indonesia were not audited. The aggregate assets of these subsidiaries as of December 31, 2014 and 2013 amounted to $86,630 thousand and $127,204 thousand, respectively, which were about 0.47% and 0.69% of the respective consolidated assets, and the aggregate liabilities amounted to $17,872 thousand and $26,297 thousand, respectively, which were about 0.35% and 0.50% of the respective consolidated liabilities. The aggregate net operating revenues of these subsidiaries in 2014 and 2013 amounted to $133,442 thousand and $212,554 thousand, respectively, which were about 0.84% and 1.36% of the respective consolidated net operating revenues, and the aggregate amounts of comprehensive loss amounted to $23,963 thousand and $4,421 thousand in 2014 and 2013, respectively, which were about (2.52%) and

(0.42%) of the respective consolidated total comprehensive income. The Corporation believes that any adjustment that might have resulted had the financial statements of these subsidiaries been audited would not be material to the consolidated financial statements taken as a whole.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Corporation and non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired in the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation involving loss of control or significant influence over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation is reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Cash equivalents

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

h. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Write-down of inventories and any reversal of write-down are recorded as cost of goods sold for the period.

i. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence means to have the authority of participating in investee's financial and management policy decision, but not to control or jointly control the policy.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Stock dividends received are not recorded as investment income. They are recognized only as increases in the number of shares held.

j. Property, plant and equipment

Property, plant and equipment are tangible assets which are expected to be held over one period for use in manufacturing, service providing, leasing and management. Property, plant and equipment are stated at cost, less recognized accumulated depreciation and recognized accumulated impairment loss when it is probable that the future economic benefits associated with these assets will flow to the Group and the cost of those assets can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method, the balance in assets estimated useful life (building - 19 to 60 years, computer equipment and other equipment - 3 to 7 years, transportation equipment - 5 to 6 years, assets under finance leases - 2 to 5 years, leasehold improvements - 2 to 5 years or the period of lease shorter), which was amortization averagely that assets cost less salvage value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets (computer software) with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The assets cost less salvage value is amortized on a straight-line basis over the estimated useful life of assets (2 to 10 years). The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets (technological expertise and client relationship) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately. Technological expertise and client relationship are amortized on a straight-line basis over 10 years and 5 years, respectively.

3) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes stocks, depositary receipts, corporate bonds, mutual funds that are non-derivative assets held for trading and traded in an active market. The financial assets are held for short-term trading purposes.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either not classified as loans and receivables or financial assets at fair value through profit or loss.

Listed stocks held by the Group that are traded in an active market are classified as available-for-sale financial assets and are measured fair value at the end of each reporting period.

Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit and loss or other comprehensive income.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables (including accounts receivable, cash and cash equivalent, and time deposits with original maturated more than three months) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

The effective interest method is a technique for calculating the amortized cost of debt instruments and for allocating interest income to relevant time periods.

The effective interest rate is the rate which is used in discounting the expected future cash inflows (including payables or receivables, expenses, transaction costs and other premiums or discounts). After the calculation, the discounted value is exactly the same with the book value recognized initially.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and so on.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by the group entity are presented at the net value of corresponding asset and liability. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation’s own equity instruments.

Treasury share is stated at cost and shown as a deduction in stockholders’ equity.

When the Corporation retires treasury share, the treasury share account is reduced, and the capital surplus - additional paid-in capital and the capital account are reversed on a pro rata basis. The carrying value of treasury share in excess of the sum of its par value and premium on stock is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is debited to retained earnings. If this sum exceeds carrying value, the excess is credited to capital surplus from the treasury share transactions.

The Corporation’s stock held by its subsidiaries is treated as treasury share and is accounted for on the basis of the carrying value (available-for-sale financial assets) multiplied by the Corporation’s proportionate share as of the date when the Corporation acquired controlling interest in the subsidiary. The remainder is treated as a recovery from available-for-sale financial assets of the non-controlling interests’ investment in a subsidiary and reclassified as a deduction under non-controlling interests.

Cash dividends and distribution in cash of capital surplus received by subsidiaries from the Corporation are adjusted to capital surplus from treasury share transactions.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation’s obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

p. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenues from sales of computer hardware and software are recognized when the items, and the risks and rewards associated with the items are transferred to the customers. Revenue from integrated hardware and software solutions are generally recognized by reference to the stage of completion of the contract terms.

Service income is generally recognized when service is rendered or is recognized over the term of the service contract under the straight-line method or the percentage-of-completion method. Contract profit for the current period is the difference between the cumulative profit at the end of the current period and the cumulative profit recognized in the prior periods. However, if the cumulative profit recognized in prior periods is greater than the cumulative profit calculated using the percentage of completion method at the end of the current period, the excess should be recognized as a loss in the current period and recorded in the operating costs.

Other revenue is mainly the Corporation's rental revenue on operating leases of computer equipment, which is recognized over the term of the lease.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

q. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

r. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

s. Employee share options

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, personnel training expenditures and investments to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Impairment of property, plant and equipment and intangible assets

The impairment of assets was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

e. Income taxes

No deferred tax asset has been recognized on tax losses, investment credits and deductible temporary differences due to the unpredictability of future profit streams (please refer to Note 18). The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are different from expected, a material adjustment of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such an adjustment takes place.

f. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	**2013**
Cash on hand	$ 2,403	$ 2,344
Checking and savings accounts	1,293,194	1,055,406
Cash equivalent		
Time deposits with original maturities less than three months	1,014,386	876,357
	$ 2,309,983	$ 1,934,107
Market interest rate interval		
Time deposits with original maturities less than three months	0.70%-3.20%	0.70%-3.20%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	**2013**
Financial assets held for trading		
Mutual funds	$ 4,457,787	$ 4,070,966
Corporation bonds	151,456	468,707
Listed shares and Taiwan Depository Receipt	197,832	198,407
	$ 4,807,075	$ 4,738,080

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	**2013**
Listed shares	$ 133,346	$ 203,383

The Group disposed of certain available-for-sale financial assets and recognized the following gains on disposal:

	For the Year Ended December 31	
	2014	**2013**
Gain on disposal	$ 44,687	$ 4,474

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

	December 31	
	2014	**2013**
Notes receivable	$ 75,230	$ 78,082
Less: Allowance for doubtful accounts	(231)	(231)
	$ 74,999	$ 77,851
Accounts receivable	$ 3,212,660	$ 3,359,289
Less: Allowance for doubtful accounts	(125,260)	(123,733)
	$ 3,087,400	$ 3,235,556
Long-term receivables	$ 115,834	$ 170,400
Less: Unrealized interest income	(5,469)	(9,372)
	$ 110,365	$ 161,028

The average credit period on accounts receivable was 78 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Based on the historical experience, the risk of non-collection of receivable was higher when the receivables were not collected on due date. The Group assessed the receivables individually and recognized an allowance for doubtful accounts of 100% against receivables that are irrecoverable. Allowance for doubtful accounts was recognized against other receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables that were past due but not impaired (based on invoice date) was as follows:

	December 31	
	2014	**2013**
91-120 days	$ 212,194	$ 170,817
121-180 days	120,307	107,765
181-360 days	106,410	87,782
Over 361 days	43,327	40,335
	$ 482,238	$ 406,699

Because there was no significant change in credit quality and the amounts were still considered recoverable, the Group did not hold any collateral or other credit enhancements for these balances. In addition, the Group does not have the legal right to offset receivables with accounts payable with the same counterparty.

The Group's transactions were made with a large number of unrelated customers; thus, the concentration of credit risk was limited.

Movements of the allowance for doubtful receivables

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	$ 70,957	$ 72,798	$ 143,755
Add: Impairment losses recognized on receivables	1,456	2,400	3,856
Less: Amounts written off during the period as uncollectible	-	(24,469)	(24,469)
Foreign exchange translation gains and losses	-	822	822
Balance at December 31, 2013	$ 72,413	$ 51,551	$ 123,964
Balance at January 1, 2014	$ 72,413	$ 51,551	$ 123,964
Add: Impairment losses recognized on receivables	1,575	5,185	6,760
Less: Amounts written off during the period as uncollectible	-	(5,489)	(5,489)
Foreign exchange translation gains and losses	-	256	256
Balance at December 31, 2014	$ 73,988	$ 51,503	$ 125,491

10. INVENTORIES

	December 31	
	2014	2013
Merchandise	$ 1,927,642	$ 1,767,237
Maintenance parts	32,495	30,287
	$ 1,960,137	$ 1,797,524

As of December 31, 2014 and 2013, the allowance for inventory devaluation was $142,445 thousand and $131,074 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was $9,864,907 thousand which included $31,591 thousand write-downs of inventories and $9,770,370 thousand which included $18,971 thousand reversal of write-downs of inventories, respectively.

11. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2014	2013
Classified according to financial asset measurement categories:		
Available for sale financial assets		
Unlisted common shares	$ 483,254	$ 517,427
Unlisted preference shares	12,214	15,364
Others	20,868	20,111
	$ 516,336	$ 552,902

The Group held more than 20% of the stock with voting rights of SuperGeo Technologies Inc., but they had no significant influence over this investee. Thus, this equity investment was recorded as a financial asset measured at cost.

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore they were measured at cost less impairment at the end of reporting period.

The Group disposed of certain financial assets measured at cost and recognized gain on disposal as follow:

	For the Year Ended December 31	
	2014	**2013**
Gain on disposal	$ 7,629	$ 2,755

The Group determined the occurrence of other than temporary decline in value of financial assets measured at cost and calculated impairment losses on these assets. Thus, the Group recognized additional impairment losses of $60,607 thousand and $9,440 thousand in 2014 and 2013, respectively.

12. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	December 31	
	2014	**2013**
Unlisted common stocks		
Forms Syntron Information (Shenzhen) Limited	$ 792,737	$ 688,615
AFE Solutions Limited	149,242	270,906
Investment Media Ltd.	97,108	92,241
Systemweb Technologies Co., Ltd.	71,052	71,847
Bisnews International Limited	39,411	49,834
E-Customer Capital Limited	36,901	39,832
Sanfran Technologies Inc.	36,488	31,007
Systex Infopro Co., Ltd.	3,097	3,097
Systex Data Management & Integration Service Corporation, Shanghai	-	15,643
Systex Data Management & Integration Service Corporation, Beijing	-	5,954
	$ 1,226,036	$ 1,268,976

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	December 31	
	2014	**2013**
Unlisted common stocks		
Forms Syntron Information (Shenzhen) Limited	26.6%	26.6%
AFE Solutions Limited	49.0%	49.0%
Investment Media Ltd.	40.0%	40.0%
Systemweb Technologies Co., Ltd.	34.5%	35.0%
Bisnews International Limited	49.0%	49.0%
E-Customer Capital Limited	23.5%	23.5%

(Continued)

	December 31	
	2014	**2013**
Sanfran Technologies Inc.	14.7%	15.0%
Systex Infopro Co., Ltd.	20.0%	20.0%
Systex Data Management & Integration Service Corporation, Shanghai	-	49.0%
Systex Data Management & Integration Service Corporation, Beijing	-	21.4%

(Concluded)

The Group exercised significant influence on Sanfran Technologies Inc. in spite of holding less than 20% of its equity. Therefore, the investment was accounted for using the equity method.

In July of 2014, the Group sold its holding shares of Systex Data Management & Integration Service Corporation, Shanghai and Systex Data Management & Integration Service Corporation, Beijing, at the price of $17,092 thousand. The Group recognized loss on disposal of investments total of $4,476 thousand in 2014.

The summarized financial information in respect of the Group's associates is set out below:

	December 31	
	2014	**2013**
Total assets	$ 3,392,474	$ 3,573,116
Total liabilities	$ 658,818	$ 826,397

	For the Year Ended December 31	
	2014	**2013**
Revenue	$ 2,913,978	$ 2,820,207
Net income for the year	$ 471,880	$ 464,220
Other comprehensive income	$ 1,428	$ 22,204

Except for E-Customer Capital Limited and Systex Infopro Co., Ltd. for the year ended December 31, 2014, and E-Customer Capital Limited, Sanfran Technologies Inc., Systex Infopro Co., Ltd. and Enrichment I Venture Capital Corporation (Enrichment was completed liquidation process and distributed in May 2013) for the year ended December 31, 2013, investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes the financial statements that have not been audited would not have material impact on the investments under the equity method or the share of profit or loss and other comprehensive income in the consolidated financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Assets under Financial Leases	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2013	$ 1,081,397	$ 1,560,680	$ 314,522	$ 13,409	$ 139,509	$ 73,322	$ 91,893	$ 3,274,732
Additions	-	-	46,497	-	9,958	6,236	16,960	79,651
Disposals	-	-	(45,250)	(889)	(6,079)	(18,437)	(15,031)	(85,686)
Reclassification	-	-	(27,471)	-	6,694	(16,314)	(495)	(37,586)
Effect of foreign currency exchange differences	-	16,513	1,528	162	-	659	1,802	20,664
Balance at December 31, 2013	$ 1,081,397	$ 1,577,193	$ 289,826	$ 12,682	$ 150,082	$ 45,466	$ 95,129	$ 3,251,775

(Continued)

	Land	Buildings	Computer Equipment	Transportation Equipment	Assets under Financial Leases	Leasehold Improvements	Other Equipment	Total
Accumulated depreciation and impairment								
Balance at January 1, 2013	$ 14,853	$ 423,777	$ 153,897	$ 6,040	$ 57,624	$ 45,929	$ 56,672	$ 758,792
Additions	-	25,266	63,759	2,055	33,077	10,762	12,893	147,812
Disposals	-	-	(43,878)	(614)	(6,079)	(16,966)	(13,482)	(81,019)
Reclassification	-	-	(15,416)	-	3,263	(16,314)	596	(27,871)
Effect of foreign currency exchange differences	-	1,748	966	68	-	639	1,376	4,797
Balance at December 31, 2013	$ 14,853	$ 450,791	$ 159,328	$ 7,549	$ 87,885	$ 24,050	$ 58,055	$ 802,511
Carrying amounts at December 31, 2013	$ 1,066,544	$ 1,126,402	$ 130,498	$ 5,133	$ 62,197	$ 21,416	$ 37,074	$ 2,449,264
Cost								
Balance at January 1, 2014	$ 1,081,397	$ 1,577,193	$ 289,826	$ 12,682	$ 150,082	$ 45,466	$ 95,129	$ 3,251,775
Additions	298	-	37,725	500	19,039	9,273	16,763	83,598
Disposals	(107,194)	(29,337)	(60,376)	(424)	(74,044)	(5,712)	(14,611)	(291,698)
Reclassification	-	-	484	-	1,204	1,405	(1,405)	1,688
Effect of foreign currency exchange differences	-	17,272	2,506	170	-	492	2,646	23,086
Balance at December 31, 2014	$ 974,501	$ 1,565,128	$ 270,165	$ 12,928	$ 96,281	$ 50,924	$ 98,522	$ 3,068,449
Accumulated depreciation and impairment								
Balance at January 1, 2014	$ 14,853	$ 450,791	$ 159,328	$ 7,549	$ 87,885	$ 24,050	$ 58,055	$ 802,511
Additions	-	25,384	62,395	2,051	33,686	9,674	11,695	144,885
Disposals	-	(6,590)	(59,691)	(424)	(74,037)	(5,712)	(14,151)	(160,605)
Reclassification	-	-	(54)	-	(2,790)	40	(40)	(2,844)
Effect of foreign currency exchange differences	-	2,344	1,673	105	-	247	2,013	6,382
Balance at December 31, 2014	$ 14,853	$ 471,929	$ 163,651	$ 9,281	$ 44,744	$ 28,299	$ 57,572	$ 790,329
Carrying amounts at December 31, 2014	$ 959,648	$ 1,093,199	$ 106,514	$ 3,647	$ 51,537	$ 22,625	$ 40,950	$ 2,278,120

(Concluded)

Refer to Note 23 for the carrying amount of property, plant and equipment pledged to secure borrowings of the Group.

14. BORROWINGS

a. Short-term loans

	December 31	
	2014	2013
Unsecured bank loans	$ 140,000	$ 195,000
Secured bank loans	100,000	279,648
	$ 240,000	$ 474,648
Annual interest rate		
Unsecured bank loans	1.42%-1.68%	1.50%-2.45%
Secured bank loans	1.50%	1.95%-6.60%

Property, plant and equipment - land and buildings and the partial of Corporation's shares were provided as collaterals for the above secured bank loans.

c. Long-term bank loans

	December 31	
	2014	2013
Secured bank loans	$ -	$ 38,479
Less: Current portion	-	6,692
	$ -	$ 31,787
Annual interest rate	-	2.38%

Property, plant and equipment - land and buildings were provided as collaterals for the above secured bank loans. The long-term bank loans were payable from July 2004 to July 2019 on a quarterly basis. The Group had made prepayment in June 2014.

15. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

Based on the defined contribution plan under the Labor Pension Act, which applies only to the Company and domestic subsidiaries, the rate of the required monthly contributions to the employees' individual pension accounts is at 6% of salaries and wages. The Group recognized pension costs of $98,729 thousand and $96,456 thousand in 2014 and 2013, respectively.

Systex Information (H.K.) Limited, Rainbow Tech Information (HK) Limited, ICT-Systex Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Systek Information (Shanghai) Ltd., UCOM Information Ltd. (Shanghai), Sysware Shenglong Information Systems Co., Ltd., Optima Financial Software Company, Rainbow Technology (Guangzhou) Inc., Systex Group (China) Ltd., Sysware Singapore Pte. Ltd., Sysware (Thailand) Co., Ltd., and PT. Sysware Indonesia make monthly contributions to a pension fund according to their local government regulations. These subsidiaries recognized pension costs of $23,923 thousand and $26,061 thousand in 2014 and 2013, respectively.

Defined Benefit Plans

The Corporation and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and its domestic subsidiaries contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The amounts of pension funds included the amounts from the companies merged into the Corporation as well as the pension fund of $10,614 thousand as of December 31, 2013, from ULSTEK Co., Ltd. (ULSTEK). Pension funds of ULSTEK were approved by the relevant authority to combine with the Corporation's pension account.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2014	2013
Discount rate	1.750%-2.250%	1.750%-2.150%
Expected rate of return on plan assets	1.250%-2.000%	1.250%-2.000%
Expected rate of salary increase	1.000%-2.500%	1.000%-2.500%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 2,868	$ 3,053
Interest cost	9,671	8,341
Expected return on plan assets	(3,735)	(5,857)
Past service cost	(842)	2,338
Losses arising from settlement	1,562	7,011
	$ 9,524	$ 14,886
An analysis by function		
Selling expenses	$ 6,456	$ 8,522
Administration expenses	$ 2,012	$ 4,568
Research and development expenses	$ 1,056	$ 1,796

Actuarial gains (losses) recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were $(6,622) thousand and $280 thousand, respectively. The cumulative amount of actuarial gains (losses) recognized in other comprehensive income as of December 31, 2014 and 2013 was $(36,716) thousand and $(30,094) thousand, respectively.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 421,620	$ 435,974
Fair value of plan assets	(239,484)	(260,454)
Deficit	182,136	175,520
Past service cost not yet recognized	14,496	15,338
Net liability arising from defined benefit obligation	$ 196,632	$ 190,858

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 435,974	$ 468,355
Current service cost	2,868	3,053
Interest cost	9,671	8,341

(Continued)

	For the Year Ended December 31	
	2014	2013
Actuarial losses/(gains)	$ 8,320	$ (2,885)
Past service cost	1,202	3,246
Liabilities extinguished on settlements	-	(30,109)
Gains on curtailments	(3,367)	-
Benefits paid	(33,048)	(14,027)
Closing defined benefit obligation	$ 421,620	$ 435,974

(Concluded)

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 260,454	$ 297,346
Expected return on plan assets	3,735	5,857
Actuarial losses/(gains)	1,879	(2,247)
Contributions from the employer	10,190	11,733
Benefits paid	(36,774)	(52,235)
Closing fair value of plan assets	$ 239,484	$ 260,454

The following major categories of plan assets at the end of the reporting period were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31	
	2014	2013
Cash	19.12	22.86
Debt instruments	13.90	13.47
Stock and fund	12.15	8.41
Discretionary investments	44.64	42.85
Foreign investments	10.19	12.41
	100.00	100.00

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 421,620	$ 435,974	$ 468,355	$ 440,498
Fair value of plan assets	$ 239,484	$ 260,454	$ 297,346	$ 296,963
Deficit	$ 182,136	$ 175,520	$ 171,009	$ 143,535
Experience adjustments on plan liabilities	$ 8,320	$ 2,885	$ 27,897	$ -
Experience adjustments on plan assets	$ 1,879	$ 2,247	$ 2,477	$ -

The Group expects to make a contribution of $10,138 thousand and $12,125 thousand, respectively to the defined benefit plans during the annual period beginning after 2014 and 2013.

16. EQUITY

Share Capital

	December 31	
	2014	2013
Numbers of common shares authorized (in thousands)	400,000	400,000
Common shares authorized	$ 4,000,000	$ 4,000,000
Number of common shares issued (in thousands)	266,916	262,228
Common shares issued	$ 2,669,163	$ 2,622,283

Fully paid common shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

Stock-based Compensation Plan

For the Corporation to retain its quality professionals for its business and operations and deepen the employees' sense of belonging, the Corporation adopted stock option plans (the "Plans") - which the board of directors approved on March 19, 2010 and March 19, 2007 - to grant employees 10,000 units and 9,500 units of stock options, respectively. Each unit represented 1,000 common shares of the Corporation. The Securities and Futures Bureau under the Financial Supervisory Commission, Executive Yuan of the ROC approved the Plans on April 12, 2010 and June 14, 2007, respectively.

The Corporation issued 6,800 units, 3,200 units, 425 units, 4,440 units and 4,635 units on February 17, 2011, May 10, 2010, June 12, 2008, January 16, 2008 and September 19, 2007, respectively.

The option rights were granted to qualified employees of the Corporation and its subsidiaries. The option rights are valid for 5 years and exercisable at certain percentages after the second anniversary of the grant date. The exercise price of the stock option right is equal to the closing price of the Corporation's common shares listed on the Taiwan Stock Exchange on the date of the grant. If the number of the Corporation's common shares changes after the granting of the stock option, the exercise price will be revised in accordance with the terms of the Plans.

The outstanding employee stock options in 2014 and 2013 were as follows:

	2014		2013	
Employee Stock Option	Number of Outstanding Options	Weighted-average Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Exercise Price (NT$)
Beginning outstanding balance	6,524.0	$ 33.93	10,100.3	$ 34.97
Options forfeited	(100.0)	$ 32.10	(300.0)	$ 33.90
Options exercised	(4,042.0)	$ 32.14	(3,134.8)	$ 31.83
Decrease due to capital reduction	-	$ -	(141.5)	$ 27.00
Ending outstanding balance	2,382.0	$ 32.12	6,524.0	$ 33.93
Ending exercisable balance	2,382.0		4,274.0	

As of December 31, 2014, outstanding employee stock options were as follows:

Range of Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Remaining Life (Years)	Weighted-average Exercise Price of Outstanding Options (NT$)	Number of Exercisable Options	Weighted-average Exercise Price (NT$)
$ 32.20	395	0.35	$ 32.20	395	$ 32.20
$ 32.10	1,987	1.13	$ 32.10	1,987	$ 32.10

Options granted in 2011, 2010 and 2008 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Issued on February 17, 2011	Issued on May 10, 2010	Issued on June 12, 2008	Issued on January 16, 2008
Grant-date share price (NT$)	$40.50	$42.70	$28.00	$30.80
Exercise price (NT$)	$33.90	$34.00	$23.90	$27.00
Expected volatility	37.24%-37.76%	39.20%-39.45%	32.80%-32.96%	32.29%-32.51%
Expected life (years)	3.5-4 years	3.5-4 years	2.25-3.25 years	2.25-3.25 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1%-1.045%	0.69%-0.87%	2.59%	2.46%

The compensation cost of employee stock option was $9,880 thousand in 2013.

Capital Surplus

	December 31	
	2014	**2013**
Can be used to offset a deficit, distribute as cash dividends, or transfer to share capital (Note)		
Additional paid-in capital	$ 7,571,729	$ 7,434,927
Donations	544	544
Can not be used for any purpose		
Treasury share transactions		
Gain on sale of property and equipment	1,085,504	973,122
Employee stock options	4,493	4,493
	22,989	73,178
	$ 8,685,259	$ 8,486,264

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).

Appropriation of Earnings and Dividend Policy

The Corporation's Articles of Incorporation provide that the annual net income (less any deficit) after allocations of 10% as legal reserve and of special reserve should be appropriated as follows:

a. No less than 0.1% as bonus to employees;
b. No less than 2% as remuneration to directors;
c. The remainder, to be distributed to the stockholders or retained by the Corporation.

The employees who qualify for the distribution of earnings as stock bonus include employees of the Corporation's subsidiaries who meet certain criteria.

Following its Articles of Incorporation and considering the overall environment, growth trends in the industry, and the Corporation's long-term financial planning and ongoing goal to have steady progress, the Corporation applies its residual dividends policy as follows:

a. Determine the appropriate capital budget.

b. Determine the funds needed for the capital budget.

c. Determine the amount to be funded by unappropriated earnings (the remaining may be funded through capital increase by cash or through issuance of bonds).

d. The remaining retained earnings, less an appropriate portion for the operational needs, may be distributed to stockholders.

The Corporation's dividends may be distributed in cash or stocks. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, but not to exceed 50% of the total distributed cash and stock dividends. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation evaluates stockholders' interests and balances dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the local regulations, an amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations and unrealized gain (loss) on available-for-sale financial assets) shall be transferred from unappropriated earnings to a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying value, the Corporation should provide a special reserve equal to the difference between the book value and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares has increased.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2013 and 2012 had been approved in the stockholders' meetings held on June 20, 2014 and June 21, 2013, respectively. The appropriations, dividends per share the bonus to employees and the remuneration to directors were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2013	For Year 2012	For Year 2013	For Year 2012
Special reserve	$ 83,054	$ 29,845	$ -	$ -
(Reversal of) legal reserve	(619,423)	122,100	-	-
Cash dividends	798,070	-	3.0	-
	$ 261,701	$ 151,945	$ 3.0	$ -

	For the Year Ended December 31	
	2013	2012
Bonus to the employees	$ 1,348	$ 147
Remuneration to directors	26,956	2,930

The stockholders resolved the distribution in cash of the capital surplus from shares issued in excess of par in the stockholders' meeting held on July 21, 2013. The distribution amounted to $521,440 thousand at NT$2 per share.

There was no difference between the amounts of the bonus to employees and the remuneration to directors approved in the shareholders' meeting on June 20, 2014 and June 21, 2013 and the amounts recognized in the financial statements for the year ended December 31, 2013 and 2012, respectively.

For the year ended December 31, 2014, the bonus to employees and the remuneration to directors were $670 thousand and $13,405 thousand, respectively. Under the Articles of Incorporation, the estimated amounts of the bonus to employees and the remuneration to directors were 0.1% and 2%, respectively, of net income (net of 10% legal reserve).

Material differences between the estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a stock bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the stock bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

The appropriations of earnings for 2014 had been proposed by the board of directors on March 19, 2015 as follows:

	Appropriation of Earnings
Legal reserve	$ 74,472
Reversal of special reserve	114,116
Cash dividends (NT$1.5 per share)	401,087

In addition, the board of directors proposed in the same meeting the distribution in cash of the capital surplus from shares issued in excess of par. The distribution amounted to $935,870 thousand at NT$3.5 per share.

The appropriations of 2014 earnings and distribution of capital surplus will be resolved by the stockholders in their meeting scheduled for June 2015.

Information about the appropriations of earnings and distribution of capital surplus are available on the Market Observation Post System website of the Taiwan Stock Exchange.

Others Equity Items

a. Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2014	**2013**
Balance, beginning of year	$ (191,433)	$ (351,856)
Exchange differences arising on translating the foreign operations	280,604	149,610
Share of exchange difference of associates accounted for using the equity method	(2,895)	10,813
Balance, end of year	$ 86,276	$ (191,433)

b. Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2014	**2013**
Balance, beginning of year	$ 77,317	$ 22,943
Unrealized (loss) gain arising on revaluation of available-for-sale financial assets	(65,756)	54,374
Balance, end of year	$ 11,561	$ 77,317

Treasury Share

Purpose of Treasury Share	**Number of Shares, Beginning of Year**	**Addition During the Year**	**Reduction During the Year**	**Number of Shares, End of Year**
2014				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	24,520	-	2,045	24,475
2013				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	24,520	-	-	24,520

The Corporation's shares held by subsidiaries at end of reporting period were as follows:

	December 31	
	2014	2013
Hanmore		
Share (in thousand)	19,406	23,586
Investments cost (Note 23)	$ 873,394	$ 1,061,524
Market value	$ 1,179,865	$ 1,582,599
Ching Pu		
Share (in thousand)	12,982	12,982
Investments cost	$ 436,096	$ 436,096
Market value	$ 789,274	$ 871,057

The carrying value of Hanmore's investment in the Corporation's shares represents the investment cost; the Corporation reclassified carrying amount of $465,241 thousand (9,493 thousand shares) and $565,455 thousand (11,538 thousand shares), representing 48.9% ownership in Hanmore, into treasury share on December 31, 2014 and 2013, respectively. Hanmore's remaining shares in the Corporation are treated as investment of non-controlling interests.

For the year ended December 31, 2014, Hanmore sold 4,180 thousand shares of the Corporation's shares, at the price of $280,028 thousand.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common stockholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

Non-controlling Interests

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 163,448	$ 282,316
Attributable to non-controlling interests:		
Share of profit (loss) for the year	2,354	(6,840)
Exchange difference arising on translation of foreign entities	53	(545)
Unrealized gains on available-for-sale financial assets	-	414
Actuarial loss on defined benefit plans	(558)	(552)
Cash dividends received from subsidiaries	(5,097)	(15,306)
Return of capital upon subsidiaries' capital reduction	(255,394)	(39,560)
Acquisition of non-controlling interests in the subsidiary (Chain Khan)	-	(936)
Non-controlling interests arising from cash dividends received by subsidiaries from the Corporation (Hanmore)	29,737	-
Disposal of the Corporation's shares by Hanmore regarding as treasury share transaction	143,035	-
Non-controlling interests arising from distribution in cash of the capital surplus received by subsidiaries from the Corporation (Hanmore)	-	24,084
The subsidiaries reclassified as non-current assets held for sale attributed to non-controlling interests	-	(79,627)
Balance, end of year	$ 77,578	$ 163,448

17. DEPRECIATION, AMORTIZATION AND EMPLOYEE BENEFITS EXPENSES

a. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	$ 144,885	$ 147,812
Intangible assets	53,118	69,456
	$ 198,003	$ 217,268
An analysis of depreciation by function		
Operating costs	$ 55,404	$ 54,271
Operating expenses	89,481	93,541
	$ 144,885	$ 147,812
An analysis of amortization by function		
Operating costs	$ 4,908	$ 6,052
Operating expenses	48,210	63,404
	$ 53,118	$ 69,456

b. Employee benefits expenses

	For the Year Ended December 31	
	2014	2013
Post-employment (Note 15)		
Defined contribution plans	$ 122,652	$ 122,517
Defined benefits plans	9,524	14,886
	132,176	137,403
Share-based payments	-	9,880
Termination benefits	11,974	19,507
Payroll and other employee benefits	2,629,928	2,664,644
	$ 2,774,078	$ 2,831,434
An analysis of employee benefits expense by function		
Operating expenses	$ 2,774,078	$ 2,831,434

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2014	**2013**
Current tax		
In respect of the current year	$ 101,436	$ 60,018
Income tax expense of unappropriated earnings	33,428	14,848
Land value increment tax	11,413	-
In respect of prior periods	4,856	3,805
	151,133	78,671
Deferred tax	27,349	37,359
Income tax expense recognized in profit or loss	$ 178,482	$ 116,030

Income tax payable as of December 31, 2014 and 2013 was net of prepaid income taxes of $22,054 thousand and $13,563 thousand, respectively.

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2014	**2013**
Profit before tax from continuing operations	$ 925,553	$ 939,730
Income tax expense calculated at the statutory rate (17%)	157,344	159,754
Tax effects of adjusting item:		
Nondeductible expenses in determining taxable income	2,069	311
Nondeductible (deductible) items in determining taxable income	20,706	(2,321)
Tax-exempt income	(97,248)	(46,565)
Unrecognized loss carryforwards	8,100	31,246
Additional income tax on unappropriated earnings	57,368	14,848
The origination temporary differences	3,409	7,400
Remeasurement of loss carryforwards	(5,592)	(8,007)
Remeasurement of investment credits	-	(3,270)
Effect of different tax rate of group entities operating in other jurisdictions	16,057	(41,171)
Adjustments for prior years' tax	4,856	3,805
Land value increment tax	11,413	-
Income tax expense recognized in profit or loss	$ 178,482	$ 116,030

The land value increment tax was incurred from the disposal of land and building of Taifon Computer Co., Ltd. in November 2014.

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
Deferred tax		
Actuarial gains on defined benefit plan	$ (181)	$ (358)

c. Current tax assets and liabilities

	December 31	
	2014	2013
Current tax assets (included in other receivables)		
Tax refund receivable	$ 936	$ 985
Current tax liabilities		
Income tax payable	$ 113,680	$ 61,119

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized cost of sales	$ 21,309	$ (1,405)	$ -	$ 19,904
Allowance for loss on inventories	17,634	675	-	18,309
Deferred revenue	3,023	(1,505)	-	1,518
Payable for annual leave	3,146	53	-	3,199
Defined benefit obligation	379	673	(181)	871
Others	5,206	(1,828)	-	3,378
	50,697	(3,337)	(181)	47,179
Investment credits	23,940	(23,940)	-	-
	$ 74,637	$ (27,277)	$ (181)	$ 47,179
Deferred tax liabilities				
Temporary differences				
Goodwill	$ 11,472	$ -	$ -	$ 11,472
Exchange differences on foreign operations	4,969	-	-	4,969
Others	920	72	-	992
	$ 17,361	$ 72	$ -	$ 17,433

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized cost of sales	$ 21,476	$ (167)	$ -	$ 21,309
Allowance for loss on inventories	20,920	(3,286)	-	17,634
Deferred revenue	6,355	(3,332)	-	3,023
Payable for annual leave	3,863	(717)	-	3,146
Defined benefit obligation	525	212	(358)	379
Others	5,270	(64)	-	5,206
	58,409	(7,354)	(358)	50,697
Investment credits	53,899	(29,959)	-	23,940
	$ 112,308	$ (37,313)	$ (358)	$ 74,637
Deferred tax liabilities				
Temporary differences				
Goodwill	$ 11,472	$ -	$ -	$ 11,472
Exchange differences on foreign operations	4,969	-	-	4,969
Others	874	46	-	920
	$ 17,315	$ 46	$ -	$ 17,361

e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2014	December 31 2013
Loss carryforwards		
Expire in 2014	$ -	$ 43,415
Expire in 2015	66,890	76,120
Expire in 2016	154,560	154,215
Expire in 2017	145,307	152,964
Expire in 2018	55,222	96,434
Expire in 2019	123,182	122,266
Expire in 2020	19,687	26,717
Expire in 2021	4,316	4,316
Expire in 2022	78,990	78,060
Expire in 2023	14,698	32,401
Expire in 2024	15,013	-
	$ 677,865	$ 786,908
Investment credits		
Equity investment	$ 10,103	$ 10,103

f. Information about unused investment credits and unused loss carryforward

As of December 31, 2014, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Act for promotion of private participation in infrastructure project	Investment in private	$ 10,103	$ 10,103	2015

Loss carryforwards as of December 31, 2014 comprised of:

Expiry Year	Total Credit
2015	$ 66,890
2016	154,560
2017	145,307
2018	55,222
2019	123,182
2020	19,687
2021	4,316
2022	78,990
2023	14,698
2024	15,013
	$ 677,865

g. Integrated income tax

	December 31	
	2014	2013
Imputation credits accounts	$ 262,271	$ 217,553

The creditable ratio for distribution of earnings of 2014 and 2013 was 8.48% (estimate) and 10.93%, respectively.

For distribution of earnings, the ratio of the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2014 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

h. Income tax assessments

Income tax returns through 2013 and undistributed earnings through 2012 of Golden Bridge Corporation, Medincom Technology Corporation and Smartnet Technology Co., Ltd., and income tax returns through 2012 and undistributed earnings through 2011 of the Corporation, Systex Software & Service Corporation, Taifon Computer Co., Ltd., Systex Solutions Corporation I, SoftMobile Technology Corporation., Hanmore Investment Corporation, Taiwan Electronic Data Processing Corporation, Ching Pu Investment Corporation, Concord System Management Corporation, Syspower Corporation, Chain Khan Technology Corporation and Nexsys Corporation have been assessed by the tax authorities.

Systex Capital Group, Inc., Cloudena (Cayman) Inc. and Kimo.com (BVI) Corporation, subsidiaries of the Corporation, are exempt from income tax under their local government regulations.

19. EARNINGS PER SHARE

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

	For the Year Ended December 31	
	2014	2013
Net income for the year		
Net income for the period attributable to owners of the Corporation	$ 744,717	$ 830,540
Number of shares (thousand)		
Weighted average number of common shares in the computation of basic earnings per share	242,747	236,590
Effect of potentially dilutive ordinary shares:		
Employee stock option	1,080	1,406
Bonus issue to employees	11	20
Weighted average number of common shares in the computation of diluted earnings per share	243,838	238,016
Earnings per share (NT$)		
Basic earnings per share	$3.07	$3.51
Dilutive earnings per share	$3.05	$3.49

If the Corporation can settle bonus to employees in cash or shares, the Corporation assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro forma net income and earnings per share, assuming the Corporation’s share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

	For the Year Ended December 31	
	2014	2013
Net income for the year		
Net income for the period attributable to owners of the Corporation	$ 857,099	$ 830,540
Number of shares (thousand)		
Weighted average number of common shares in the computation of pro forma earnings per shares	265,826	261,110
Effect of potentially dilutive ordinary shares:		
Employee stock option	1,080	1,406
Bonus issue to employees	11	20
Weighted average number of common shares in the computation of pro forma diluted earnings per shares	266,917	262,536

(Continued)

	For the Year Ended December 31	
	2014	2013
Earnings per share (NT$)		
Basic earnings per shares	$3.22	$3.18
Dilutive earning per share	$3.21	$3.16

(Concluded)

20. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

21. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31	
	2014	2013
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 4,807,075	$ 4,738,080
Loans and receivables (1)	6,276,993	6,038,737
Available-for-sale financial assets (2)	649,682	756,285
Financial liabilities		
Amortized cost (3)	3,182,110	4,002,111

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, deposits maturated over three months (included in other current assets), notes receivable, accounts receivable, refundable deposits - current, other receivables, lease receivables - current (included in other current assets), refundable deposits - non-current, long-term receivables, pledged time deposits - non-current (included in other non-current assets) and lease receivables - non-current (included in other non-current assets).

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, other payables, guarantee deposits received and long-term bank loans.

b. Financial risk management objectives and policies

The Group's main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk and interest rate risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group's financial performance, the Group follows procedures to identify, estimate and hedge the uncertainties of the market.

The Group's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales, purchases and borrowings, which were exposed primarily to the financial risks of changes in foreign currency exchange rates. The Group monitored the exchange rate fluctuations in timely manner and regulated foreign currency position to reduce the influence of the exchange rate fluctuations on the Group's income.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD and RMB) at the end of the reporting period. A positive number below indicates a decrease/increase in pre-tax loss associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Year Ended December 31	
	2014	**2013**
USD		
Increase (decrease)/decrease (increase)	$ 28,205	$ (6,178)
RMB		
Increase/decrease	33,768	17,769

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2014	**2013**
Fair value interest rate risk		
Financial assets	$ 1,014,386	$ 876,357
Financial liabilities	240,000	474,648
Cash flow interest rate risk		
Financial assets	1,293,194	1,055,406
Financial liabilities	-	38,479

The Group acquired better interest rate through long-term cooperation with banks; therefore, the effect of interest rate movement is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period.

If interest rates had been 10 basis points (0.1%) higher/lower, the Group's pre-tax net income effect would have been as follows:

	For the Year Ended December 31	
	2014	**2013**
Decrease/increase	$ 1,293	$ 1,017

c) Other price risk

The Group was exposed to equity price risk through its investments in listed shares, TDR, corporate bonds and mutual funds. The Group runs a control system to mitigate the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period.

If market prices had been 5% higher/lower, the effects on the Group's pre-tax net income and other comprehensive income would have been as follows:

	For the Year Ended December 31	
	2014	**2013**
Pre-tax net income		
Increase/decrease	$ 240,354	$ 236,904
Other comprehensive income		
Increase/decrease	6,667	10,169

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk.

The Group has delegated a department responsible for managing accounts receivable, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Group. The Group only transacts with creditworthy financial institutions to reduce credit risk.

The Group is exposed to market risk as a result of price fluctuations. The Group runs a control system to mitigate this risk, and management does not anticipate any material loss due to this risk.

3) Liquidity risk

The Group has put in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Group invests idle funds in short-term market under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual terms.

December 31, 2014

	Less than 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities				
Short-term bank loans	$ 240,000	$ -	$ -	$ 240,000

The Group has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated. In addition, the Group's investments in mutual funds and listed shares are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, the Group also invested in unlisted stocks with significant liquidity risks because these assets do not have quoted market prices in an active market.

c. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except that fair value of financial assets measured at cost could not be reliably measured, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets FVTPL				
Non-derivative financial assets held for trading	$ 4,807,075	$ -	$ -	$ 4,807,075
Available-for-sale financial assets				
Listed shares	133,346	-	-	133,346
	$ 4,940,421	$ -	$ -	$ 4,940,421

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets FVTPL				
Non-derivative financial assets held for trading	$ 4,738,080	$ -	$ -	$ 4,738,080
Available-for-sale financial assets				
Listed shares	203,383	-	-	203,383
	$ 4,941,463	$ -	$ -	$ 4,941,463

There were no transfers between Levels 1 and 2 in the current and prior periods.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

a) The fair values of financial assets and financial liabilities (including listed shares and mutual funds) with standard terms and conditions and traded in active liquid markets were determined with reference to quoted market prices;

b) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

22. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Operating revenue

	Related Parties Types	For the Year Ended December 31 2014	2013
Sales	Associates	$ 58,086	$ 57,135
Service revenue	Associates	$ 4,606	$ 3,409

b. Purchases of goods

Related Party Categories	For the Year Ended December 31 2014	2013
Associates	$ 79,346	$ 141,576

c. Receivables from related parties

Line Items	Related Party Categories	December 31 2014	2013
Accounts receivable	Associates	$ 4,077	$ 59,344

d. Payables to related parties

Line Items	Related Party Categories	December 31 2014	December 31 2013
Notes and accounts payable	Associates	$ 25,460	$ 53,654

e. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31 2014	For the Year Ended December 31 2013
Service cost	Associates	$ 19,429	$ 19,429
Operating expenses	Associates	$ 156	$ 136
Payments for intangible assets	Associates	$ -	$ 3,625

f. Compensation of key management personnel

	For the Year Ended December 31 2014	For the Year Ended December 31 2013
Short-term employee benefits	$ 112,530	$ 125,361
Post-employment benefits	3,672	3,239
Termination benefits	5,271	-
Share-based payments	-	6,108
	$ 121,473	$ 134,708

The product/service sales and purchase transactions with related parties were conducted underpricing terms similar to those for third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

23. PLEDGED ASSETS

The following assets were pledged as collateral for bank loans, contract guarantees, and import duty guarantee.

	December 31 2014	December 31 2013
Property, plant and equipment - land	$ -	$ 107,194
Property, plant and equipment - buildings, net	-	285,406
Pledged time deposits - current (included in other receivables)	198,042	188,773
Pledged time deposits - non-current (included in other non-current assets)	65,100	29,982
The shares of the Corporation (Note)	225,032	-
	$ 488,174	$ 611,355

Note: Hanmore owns 5,000 thousand shares of the Corporation, and it was eliminated on consolidation.

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unused letters of credit of the Corporation in aggregate amount were as follows:

	December 31	
	2014	2013
	$ 845	$ 827

b. Outstanding sales contracts of the Group in the amount were as follows:

	December 31	
	2014	2013
	$ 4,241,715	$ 4,654,565

c. The Group provided endorsements for Systex Solutions Corporation II, Rainbow Tech (Guangzhan) Inc., Systek Information (Shanghai) Ltd., Systex Software & Service Corporation, Systex Information (H.K.) Ltd. and Systex Group (China) Ltd. up to $360,000 thousand, $46,245 thousand, $15,825 thousand, $1,200,000 thousand, $63,300 thousand and $633,000 thousand, respectively. Taiwan Electronic Data Processing Corporation provided endorsement for Medincom Technology Corporation up to $15,000 thousand. UCOM Information Ltd. (Shanghai) provided endorsement for Systex Group (China) Ltd. up to $124,138 thousand. Systek Information (Shanghai) Ltd. provided endorsement for Rainbow Tech. (Guangzhou) Inc. up to $124,138 thousand.

d. The Corporation entered into one project contract with third party. However, the Corporation could not meet the third party's requirements and could not complete the contract; thus, the third party would like to terminate the contract accordingly. The Corporation accrued $130,312 thousand as loss for this contract as of December 31, 2014.

e. Lease contracts for office premises and warehouse, expiring between March 2015 and November 2019, with refundable deposits of $29,866 thousand (included in refundable deposits). Future rentals are as follows:

Year	Amount
2015	$ 103,416
2016	80,349
2017	35,064
2018	6,217
2019	5,135

25. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 28,233	31.65	$ 893,570
RMB	132,988	5.09	677,154
SGD	655	23.94	15,676
HKD	1,334	4.08	5,442
Non-monetary items			
Financial assets at fair value through profit or loss			
RMB	37,858	5.09	192,775
HKD	15,498	4.08	63,324
EUR	270	38.47	10,387
Investment accounted for using equity method			
RMB	79,729	5.09	412,397
HKD	36,579	4.08	149,242
THB	3,390	0.91	3,097
Financial liabilities			
Monetary item			
USD	10,410	31.65	329,468
SGD	610	23.94	14,613

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,689	29.81	$ 229,184
RMB	72,723	4.89	355,518
HKD	2,138	3.84	8,217
SGD	65	23.58	1,530
Non-monetary items			
Financial assets at fair value through profit or loss			
RMB	76,102	4.89	372,027
HKD	20,314	3.84	78,068
Investment accounted for using equity method			
RMB	71,739	4.89	350,722
HKD	70,494	3.84	270,906
THB	3,390	0.91	3,097
Financial liabilities			
Monetary item			
USD	11,835	29.81	352,745
SGD	133	23.58	3,147

26. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on financial information. The Group's reportable segments were as follows:

a. Segment revenues and results

	Financial Business Integration	Technological Business Integration	Value-added Business Integration	China Group	Investment Department	Adjustment and Elimination	Total
2014							
Sales to customers	$ 2,565,915	$ 4,408,038	$ 5,162,711	$ 3,672,657	$ -	$ -	$ 15,809,321
Sales to other segments	191,662	197,854	876,775	885,495	-	(2,151,786)	-
Total sales	$ 2,757,577	$ 4,605,892	$ 6,039,486	$ 4,558,152	$ -	$ (2,151,786)	$ 15,809,321
Segment income	$ 433,066	$ 198,868	$ 258,286	$ 57,181	$ 316,678	$ -	$ 1,264,079
Corporate general expenses							(338,526)
Income before income tax							$ 925,553
Segment depreciation and amortization expenses	$ 54,687	$ 63,716	$ 36,573	$ 21,991	$ -		$ 176,967
Non-segment depreciation and amortization expenses							21,036
Total depreciation and amortization expenses							$ 198,003
Segment assets	$ 2,127,297	$ 3,184,451	$ 2,984,949	$ 2,319,667	$ 7,294,247		$ 17,910,611
General assets							648,144
Total assets							$ 18,558,755
2013							
Sales to customers	$ 2,822,272	$ 4,128,186	$ 5,391,543	$ 3,315,261	$ -	$ -	$ 15,657,262
Sales to other segments	209,976	199,630	1,186,025	709,642	-	(2,305,273)	-
Total sales	$ 3,032,248	$ 4,327,816	$ 6,577,568	$ 4,024,903	$ -	$ (2,305,273)	$ 15,657,262
Segment income	$ 400,926	$ 259,205	$ 242,293	$ 18,528	$ 366,602	$ -	$ 1,287,554
Corporate general expenses							(347,824)
Income before income tax							$ 939,730
Segment depreciation and amortization expenses	$ 64,773	$ 78,018	$ 30,553	$ 21,328	$ -		$ 194,672
Non-segment depreciation and amortization expenses							22,596
Total depreciation and amortization expenses							$ 217,268
Segment assets	$ 2,418,663	$ 2,981,386	$ 2,458,211	$ 2,117,001	$ 7,185,103		$ 17,160,364
General assets							1,177,440
Total assets							$ 18,337,804

Financial business integration provides financial contents and information services. Technological business integration provides computer hardware and software integration services. Value added business integration provides world-class software and suitable solutions. China group provides service similar with the above in China. Investment department engages in investment activities.

Segment income represented the income before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, and income tax expense.

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	Revenue from External Customers	
	2014	2013
Domestic	$ 11,992,715	$ 11,373,859
Asia	3,816,606	4,283,403
	$ 15,809,321	$ 15,657,262

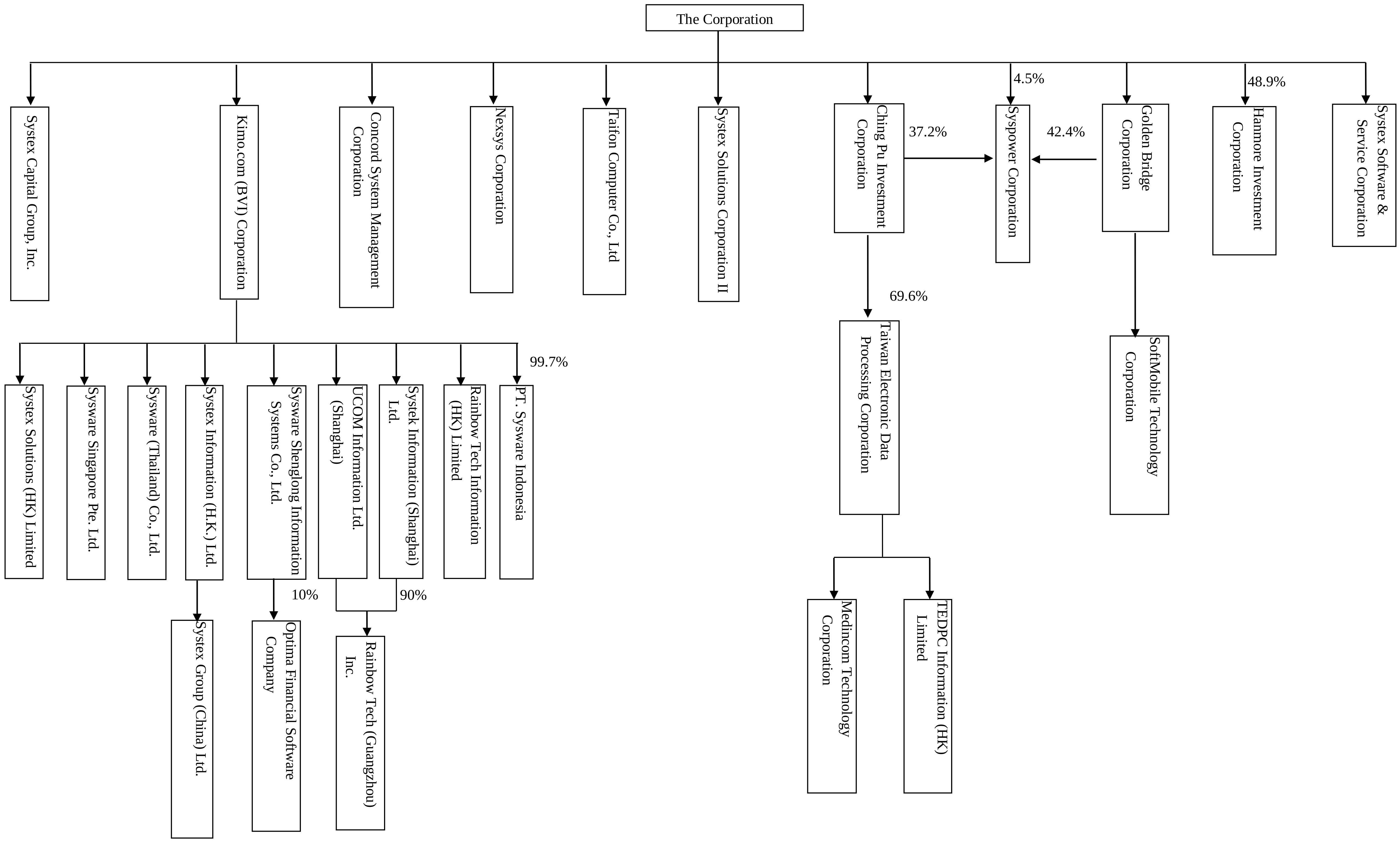
	Non-current Assets December 31	
	2014	2013
Domestic	$ 3,584,677	$ 3,825,739
Asia	1,115,763	1,000,786
Others	261,692	424,001
	$ 4,962,132	$ 5,250,526

c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2014 and 2013.

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
DECEMBER 31, 2014



Note: Percentage of ownership is 100% unless noted on the chart.